



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

May 7, 2007

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Sheep and Wool Promotion Board for the years ended June 30, 2006 and 2005.

The purpose of the Board is to establish programs for promotion, research and education directed toward better and more efficient production, marketing and utilization of sheep and wool products; to provide public relations and other promotion techniques for the maintenance of present markets; to provide for the development of new or larger domestic and foreign markets; and to provide for the prevention, modification or elimination of trade barriers which obstruct the free flow of sheep and wool products.

The Board's net assessment revenues totaled \$49,591 for the year ended June 30, 2006, a 4% decrease from 2005. The decrease in revenues is due to a decrease in the pounds of wool sold. Expenses for the year ended June 30, 2006 totaled \$62,604, an 8% increase over the prior year. The increase in expenses is due to an increase in research and consumer education activities approved by the Board.

A copy of the audit report is available for review in the Iowa Department of Agriculture and Land Stewardship, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###

IOWA SHEEP AND WOOL PROMOTION BOARD

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS**

JUNE 30, 2006 AND 2005

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Statements of Net Assets	A 8
Statements of Revenues, Expenses and Changes in Net Assets	B 9
Statements of Cash Flows	C 10
Notes to Financial Statements	11-12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	13-14
Schedule of Findings	15
Staff	16

Iowa Sheep and Wool Promotion Board

Officials

Name

Title

Governor

Honorable Thomas J. Vilsack
(Ended During January 2007)

Honorable Chester J. Culver
(Began During January 2007)

Director, Department of Management

Michael L. Tramontina
(Ended During January 2007)

Charles J. Krogmeier
(Began During January 2007)

Director, Legislative Services Agency

Dennis C. Prouty

Board

Jon McFadden
Gary Erickson
Dave Hofland
Tom Cory
Bill Dohrman
James Koss
Jerry Sorenson
Les Vander Linden

Chairperson
Vice Chairperson
Secretary
Treasurer
Member
Member
Member
Member

Ex Officio Members

Harold Hommes

Dr. Daniel Morrical
Marsha Spykerman

Secretary Designee, Iowa Department of Agriculture
and Land Stewardship
ISU Extension, Sheep Specialist
Executive Director, Iowa Sheep Industry Association

Iowa Sheep and Wool Promotion Board



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Iowa Sheep
and Wool Promotion Board:


We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Sheep and Wool Promotion Board as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Sheep and Wool Promotion Board at June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2007 on our consideration of the Iowa Sheep and Wool Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2007

Iowa Sheep and Wool Promotion Board

Financial Statements

Exhibit A

Iowa Sheep and Wool Promotion Board

Statements of Net Assets

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,402	30,171
Assessments receivable	7,677	13,024
Interest receivable	317	259
Total current assets	<u>30,396</u>	<u>43,454</u>
Equipment, net	-	92
Total assets	<u>\$ 30,396</u>	<u>43,546</u>
Liabilities and Net Assets		
Current liabilities:		
Refunds payable	\$ 548	1,081
Accounts payable	15	181
Total current liabilities	<u>563</u>	<u>1,262</u>
Net assets - unrestricted	<u>29,833</u>	<u>42,284</u>
Total liabilities and net assets	<u>\$ 30,396</u>	<u>43,546</u>

See notes to financial statements.

Iowa Sheep and Wool Promotion Board
 Statements of Revenues, Expenses and Changes in Net Assets
 Years ended June 30, 2006 and 2005

	2006	2005
Revenues:		
Assessments	\$ 54,941	56,432
Less refunds	(5,350)	(5,006)
Net revenues	49,591	51,426
Expenses:		
Administration	9,051	9,427
Education - consumer	24,486	22,105
Education- producer	19,425	19,556
Research	9,550	6,298
Depreciation	92	345
Total expenses	62,604	57,731
Operating loss	(13,013)	(6,305)
Non-operating revenues:		
Interest income	562	333
Changes in net assets	(12,451)	(5,972)
Net assets beginning of year	42,284	48,256
Net assets end of year	\$ 29,833	42,284

See notes to financial statements.

Exhibit C

Iowa Sheep and Wool Promotion Board

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from assessments	\$ 60,288	55,890
Cash paid to suppliers for goods and services	(62,678)	(59,896)
Cash paid for refunds	(5,883)	(5,088)
Net cash used by operating activities	(8,273)	(9,094)
Cash flows from investing activities:		
Purchase of certificate of deposit	(12,576)	-
Interest received	504	95
Net cash provided (used) by investing activities	(12,072)	95
Net decrease in cash and cash equivalents	(20,345)	(8,999)
Cash equivalents beginning of year	30,171	39,170
Cash equivalents end of year	\$ 9,826	30,171
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (13,013)	(6,305)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	92	345
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	5,347	(542)
Decrease in refunds payable	(533)	(82)
Decrease in accounts payable	(166)	(2,510)
Total adjustments	4,740	(2,789)
Net cash used by operating activities	\$ (8,273)	(9,094)
Reconciliation of cash and cash equivalents at year end on the Statement of Net Assets:		
Cash and cash equivalents	\$ 22,402	30,171
Less items not meeting the definition of cash equivalents:		
Certificate of deposit	(12,576)	-
Cash and cash equivalents end of year	\$ 9,826	30,171

See notes to financial statements.

Iowa Sheep and Wool Promotion Board

Notes to Financial Statements

Years ended June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Sheep and Wool Promotion Board is to establish programs for promotion, research and education directed toward better and more efficient production, marketing and utilization of sheep and wool products; to provide public relations and other promotion techniques for the maintenance of present markets; to provide for the development of new or larger domestic and foreign markets and to provide for the prevention, modification, or elimination of trade barriers which obstruct the free flow of sheep and wool products. The Iowa Sheep and Wool Promotion Board is established under Chapter 182 of the Code of Iowa.

- A. Reporting Entity – For financial reporting purposes, the Iowa Sheep and Wool Promotion Board has included all funds, organizations, agencies, boards, commissions, and authorities. The Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Board. The Iowa Sheep and Wool Promotion Board has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting – The financial statements of the Iowa Sheep and Wool Promotion Board are prepared on the accrual basis.
- C. Assessment – The Iowa Sheep and Wool Promotion Board receives an assessment of two cents for each pound of wool produced and sold by a producer and ten cents per head on sheep sold for slaughter by a producer. The assessments are required to be remitted to the Board no later than 30 days following each calendar quarter.
- D. Cash and Cash Equivalents – The Iowa Sheep and Wool Promotion board considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash and cash equivalents not meeting the definition of cash equivalents at June 30, 2006 include certificates of deposit of \$12,576.
- E. Equipment – Equipment is recorded at cost and depreciated on a straight-line basis over an estimated useful life of six years.
- F. Income Taxes – The Board is exempt from taxation under Section 501(c) of the Internal Revenue Code.

(2) Cash and Cash Equivalents

The Board's deposits in banks at June 30, 2006 and June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(3) Equipment

A summary of equipment at June 30, 2006 and June 30, 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Equipment	\$ 2,070	2,070
Less: Accumulated depreciation	<u>(2,070)</u>	<u>(1,978)</u>
Equipment, net	<u>\$ -</u>	<u>92</u>

(4) Risk Management

The Board is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Iowa Sheep
and Wool Promotion Board:

We have audited the financial statements of the Iowa Sheep and Wool Promotion Board as of and for the year ended June 30, 2006, and have issued our report thereon dated March 13, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

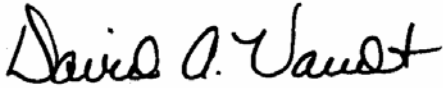
In planning and performing our audit, we considered the Iowa Sheep and Wool Promotion Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Sheep and Wool Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Sheep and Wool Promotion Board, citizens of the State of Iowa and other parties to whom the Iowa Sheep and Wool Promotion Board may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Sheep and Wool Promotion Board during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2007

Iowa Sheep and Wool Promotion Board

Schedule of Findings

June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

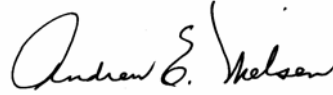
No matters were noted.

Iowa Sheep and Wool Promotion Board

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Michael J. Hackett, Staff Auditor
Gelu Sherpa, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State